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Country Paper

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**International Workshop on Country Practices
in Compilation of International Merchandise
Trade Statistics**

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The regulatory environment

- Under the Import and Export (Registration) Regulations, every person who imports or exports any article other than an exempted article is required to lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration within 14 days after the importation or exportation of the article
- Some categories of articles are exempted from declaration
- In the context of Hong Kong, transshipment means any article that is brought into Hong Kong under a through bill of lading or a through air waybill from a place outside Hong Kong to another place outside Hong Kong



The regulatory environment

➤ Re-exports

- a consignee in Hong Kong when goods are imported
- a consignor in Hong Kong when goods are exported
- declaration required

➤ Transhipment

- destined for exit when brought into Hong Kong
- exempted from declaration



Declaration checking

- Declarations matched against cargo manifests to ensure completeness in the lodgement of declarations
- Reference to arrival and departure schedules of transportation agencies
- Manifests assembled for matching against submitted declarations
- Declaration notices issued to urge importers/exporters concerned to submit missing declarations



Declaration checking

- One major use of declaration is for the compilation of trade statistics
- A risk management approach is applied in selecting trade records for verification
- Two-pronged approach
 - micro and transaction levels
 - macro and company levels



Trade facilitation

- Flexible declaration requirement - submission within 14 days after importation or exportation
- Cross-reference of information reported in declaration with the actual cargo not a standard procedure
- The information required to be reported in declaration is minimum
- More detailed structural characteristics estimated using the survey approach for better quality and less respondent burden



NCDP Questionnaire – Recording trade on the basis of change of ownership

3.03

Question : Can your office compile detailed commodity by partner trade statistics on the basis of change of ownership?

Answer : No



NCDP Questionnaire – Recording trade on the basis of change of ownership

Type of trade

Type of trade	Change of ownership	Inclusion in trade statistics
Outward processing	Yes/No	Yes
Offshore trade (Merchanting)	Yes	No
Imports and exports involving change of ownership	Yes	Yes



NCDP Questionnaire – Recording trade on the basis of change of ownership

Outward processing

- Outward processing in the Mainland is defined as a contractual agreement between a Hong Kong party and a party in the Mainland to carry out production processing in the Mainland, subject to the conditions that the raw materials or semi-manufactures required have to be supplied wholly or partly by the Hong Kong party and the processed goods have to be returned to Hong Kong for local consumption or exportation to an overseas country/territory.
- Goods destined for the Mainland could be subcontracted under two categories, viz: “Process & Assembling” and “Process with Imported Materials”. The latter involves changes of ownership when sent abroad and delivered back.
- Outward processing trade is not exempted from declaration and thus is included in trade statistics.



NCDP Questionnaire – Recording trade on the basis of change of ownership

Offshore trade (Merchanting)

- The Hong Kong business, in the capacity as a trader, acquires the goods in its own name and sells to a party outside Hong Kong, earning the gross margin from the transaction of goods. In the case of Hong Kong, offshore trade is registered as trade in services.
- The goods involved are either transhipped (hence exempted from declaration) or shipped directly from source (hence not entering/leaving Hong Kong). They are thus not included in trade statistics.

Imports and exports involving change of ownership

- The goods are purchased from parties outside Hong Kong and imported into Hong Kong. They are subsequently sold to parties outside Hong Kong and exported to other economies without substantial processing.
- Under the Import and Export (Registration) Regulations, every person who imports or exports any article other than an exempted article shall lodge with the Commissioner an accurate and complete import/export declaration relating to such article within 14 days after the importation or exportation of the article. All imports and exports are included in trade statistics.



Detailed statistics by commodity and trade partner - data collection issues

Outward processing

➤ From declaration

In Hong Kong, there is no GST and tariff and thus no tax implication for outward processing trade. On trade facilitation consideration, it is not required to report the information in declaration. Such detailed statistics cannot be compiled from declaration.

➤ Using survey

In Hong Kong, outward processing contents is enquired using the survey approach with broad statistics produced, e.g. statistics by broad commodity group. In 2005, the percentages of imports from the Mainland, exports to the Mainland and re-exports of Mainland origin to places other than the Mainland involved in outward processing were 66%, 38% and 79% respectively. Given the enormous volume of outward processing trade, compiling detailed statistics using survey will involve substantial resources and cast significant respondent burden.

➤ Constant-price statistics

Given the enormous volume of outward processing trade, compiling unit value indices by commodity and country/territory will involve substantial resources and cast significant respondent burden.



Detailed statistics by commodity and trade partner - data collection issues

Offshore trade (Merchanting)

➤ From declaration

The goods involved are either transhipped (hence exempted from declaration) or shipped directly from source (hence not entering/leaving Hong Kong). They are thus not included in merchandise trade statistics. Such detailed statistics cannot be compiled from declaration.

➤ Using survey

Establishment surveys are conducted by C&SD to collect data on trade in services (other than travel) from establishments. They include the Annual Survey of Imports and Exports of Services (ASIES), and supplementary questionnaires attached to the Programme of Annual Economic Surveys (PAES). Only broad statistics, e.g. by origin, mode of shipment, are compiled. Compiling detailed statistics using survey will involve substantial resources and cast significant respondent burden.

➤ Constant-price statistics

Compiling unit value indices by commodity and country/territory will involve substantial resources and cast significant respondent burden.



NCDP Questionnaire – Using Kyoto Convention as the basis for the definitions of customs procedures

4.01

Question : Does your country use the Kyoto Convention (the International Convention on the Simplification and Harmonization of Customs procedures) as the basis for the definitions of customs procedures?

Answer : Yes

Explanation : Hong Kong is not yet a contracting party. As Hong Kong has a rather unique trade system, customs procedures are implemented in compliance with the Kyoto Convention as far as practicable. For example, Standard No. 3.8 of General Annex of Chapter 3 “The declarant shall be held responsible to the Customs for the accuracy of the particulars given in the Goods declaration and the payment of the duties and taxes” is observed. In Hong Kong, if dubious entries are identified in the checking of import/export declarations, clarifications are made with importers/exporters. Also, Standard No. 3.30 of General Annex of Chapter 3 “Checking of Goods declaration shall be effected at the same time or as soon as possible after the Goods declaration is registered” is observed. In Hong Kong, import/export declarations of a shipment month are lodged within 14 days after lapse of the shipment month. They are checked within another 3-4 days, before they are used for the compilation of aggregate trade statistics.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.02

Question : Importation of goods under clearance for home use

Answer : No

Explanation : It is difficult for the importer to ascertain whether an importation of goods is meant for home use (retained imports) or re-exportation at the moment of importation.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.03

Question : Reimportation of goods in the same state

Answer : No

Explanation : Exporters (during initial exportation) and importers (during subsequent re-importation) submit declarations separately. There is no linkage between re-export and import declarations for identification purpose.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.04

Question : Exportation of domestic goods (outright exportation)

Answer : Yes

Explanation : Domestic exports are the natural produce of Hong Kong or the products of a manufacturing process in Hong Kong which has changed permanently in the shape, nature, form or utility of the basic material used in manufacture. In export declaration, the origin information is reported as Hong Kong.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.05

Question : Temporary admission of goods subject to re-exportation in the same state

Answer : No

Explanation : If the goods are brought into Hong Kong with a view to leaving Hong Kong in the same state under a through bill of lading, they are classified as transshipment and exempted from declaration.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.06

Question : Re-exportation of goods in the same state

Answer : Yes

Explanation : Re-exports are products which have previously been imported into Hong Kong and which are re-exported without having undergone in Hong Kong a manufacturing process which has changed permanently the shape, nature or utility of the product. In export declarations, the origin information is reported as places other than Hong Kong.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.07

Question : Temporary admission of goods for inward processing

Answer : No

Explanation : Information about inward/outward processing is not required to be reported in declaration.

4.08

Question : Goods leaving the country/territory after inward processing

Answer : No

Explanation : Information about inward/outward processing is not required to be reported in declaration.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.09

Question : Temporary exportation of goods for outward processing

Answer : No

Explanation : Information about inward/outward processing is not required to be reported in declaration.

4.10

Question : Reimportation of goods after temporary exportation for outward processing

Answer : No

Explanation : Information about inward/outward processing is not required to be reported in declaration.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.11 & 4.12

Question : Goods admitted into/leaving a customs warehouse

Answer : Yes

Explanation : Hong Kong adopts the open bond system. Customs maintains excise control by way of periodic audit checks over two major categories of dutiable goods, namely tobacco and liquor, which would be stored in General Bonded Warehouses, Public Bonded Warehouses or Licensed Warehouses. These warehouses are operated by persons or enterprises in the private sector, who are required to keep books and records to record the movements of the dutiable goods.



NCDP Questionnaire – Identification of types of imports and exports recording by customs procedures?

4.13, 4.14, 4.15 & 4.16

Question : Goods admitted into/leaving a commercial free zone/industrial free zone

Answer : N/A

Explanation : Hong Kong does not have commercial free zone/industrial free zone.



NCDP Questionnaire – Inclusion in trade statistics goods entering or leaving the following territorial elements

5.01, 5.02 & 5.04

Question : industrial free zones/commercial free zones/premises designated for inward processing

Answer : N/A

Explanation : Hong Kong does not have industrial free zones/commercial free zones/premises designated for inward processing.



NCDP Questionnaire – Inclusion in trade statistics goods entering or leaving the following territorial elements

5.03

Question : customs warehouses

Answer : Yes

Explanation : Hong Kong adopts the open bond system. Customs maintains excise control by way of periodic audit checks over two major categories of dutiable goods, namely tobacco and liquor, which would be stored in General Bonded Warehouses, Public Bonded Warehouses or Licensed Warehouses. These warehouses are operated by persons or enterprises in the private sector, who are required to keep books and records to record the movements of the dutiable goods.



NCDP Questionnaire – Dissemination of trade statistics

5.10

Question : Do you disseminate trade statistics only according to the general trade system?

Answer : Yes

Explanation : Hong Kong has no free trade, commercial and processing zones and there is accordingly no exemption from declaration arising from such facilities. Since the external merchandise trade statistics of Hong Kong include all importation and exportation of goods (with the exception of the list of exempted articles), Hong Kong is considered to have adopted the General Trade System where the economic territory co-incides with the statistical territory.



NCDP Questionnaire – Dissemination of trade statistics

5.11

Question : Do you disseminate trade statistics only according to the special trade system?

Answer : N/A

5.12

Question : Do you disseminate trade statistics according to both the general and special trade system?

Answer : N/A



NCDP Questionnaire – Analysis by country/territory

8.01

Question : Do you identify your trade partners on the basis of the definition of the statistical territory as given by your partners themselves?

Answer : Yes

Explanation : The classification of country/territory is developed based on historical trade pattern of Hong Kong and is generally compatible with UN/ECE Trade Facilitation Recommendation No.3 (Alpha-2 Country Code of ISO 3166-1).



NCDP Questionnaire – Analysis of imports by country/territory

8.02

Question : by country of origin?

Answer : Yes

Explanation : Based on information on country of origin as reported by importers in declaration.

8.03

Question : If “Yes” to Q8.02, do you broadly follow the origin criteria outlined in the Kyoto Convention?

Answer : Yes

Explanation : The origin criteria are useful reference guideline in verifying information reported in declaration.



NCDP Questionnaire – Analysis of imports by country/territory

8.04

Question : by country of consignment?

Answer : Yes

Explanation : For imports, country of consignment is the country/territory from which the goods are first consigned, by any form of transport, to Hong Kong without any further intermediate commercial transaction.



NCDP Questionnaire – Analysis of imports by country/territory

8.05

Question : country of purchase?

Answer : No

Explanation : This information is not required to be reported in declaration.

8.06

Question : other?

Answer : No

Explanation : No further information is required to be reported in declaration.



NCDP Questionnaire – Analysis of imports by country/territory

8.07 & 8.08

Question : country of requested/granted preferential treatment

Answer : No

Explanation : Hong Kong does not offer preferential treatment.



NCDP Questionnaire – Analysis of exports by country/territory

8.09

Question : country of last known destination?

Answer : No

Explanation : Export statistics are compiled by country of consignment, which is the country/territory to which the goods are consigned, by any form of transport, from Hong Kong without any further intermediate commercial transaction.



NCDP Questionnaire – Analysis of exports by country/territory

8.10

Question : country of consignment?

Answer : Yes

Explanation : Export statistics are compiled by country of consignment, which is the country/territory to which the goods are consigned, by any form of transport, from Hong Kong without any further intermediate commercial transaction.

8.11

Question : country of sale?

Answer : Yes

Explanation : For re-exports, i.e. exports of non-Hong Kong origin, statistics can be analysed both by country of consignment and country of origin.



Further Questions

1.

Question : What kind of processing is allowed under each customs procedure?

Answer : There is no specific customs procedure applied to the different types of trade, viz.: imports, domestic exports and re-exports.



Further Questions

2.

Question : When is the country of origin changed to origin Hong Kong SAR?

Answer : The Hong Kong origin rules are established in conformity with internationally accepted practice and standards. For wholly obtained or produced goods, they must be the natural products of Hong Kong which have been wholly grown or mined in Hong Kong or produced in Hong Kong from domestic materials. For manufactured goods involving multiple country processing and/or materials, they must be the products of manufacturing processes in Hong Kong which have changed permanently and substantially the shape, nature, form or utility of the basic materials used in manufacture. Processes such as simple diluting, packing, bottling, drying, simple assembling, sorting or decorating, etc., are not regarded as genuine manufacturing processes.



Further Questions

3.

Question : If a new customs declaration needs to be completed when country of origin is changed to origin Hong Kong SAR, whether valuation is done on a gross or net basis?

Answer : Same declaration is used for domestic exports and re-exports, which are valued on f.o.b. basis. All costs and profits accruing to local producers are included in value of exports.



Further Questions

4.

Question : If there is a clear link between goods being imported for processing and goods being exported after processing (please explain your use of “retained imports)?)

Answer : The declaration requirement of Hong Kong does not include the linking of import and re-export declarations. This in fact is not feasible in practice, as at the moment when goods are imported into Hong Kong, the disposal of goods concerned is often not yet certain to the importer. The value of retained imports is estimated by taking the difference between the value of imports and the value of re-exports after adjustment for valuation basis (rate of re-export margin). A survey approach is adopted by Hong Kong to estimate at a macro level the rate of re-export margin, and the value of retained imports.



Further Questions

5.

Question : If ownership of the goods is registered, and if it can be determined if ownership has changed?

Answer : The change in ownership is not registered in declaration.

